



## Issue Brief

### LIHEAP Funds for Furnace Repair and Replacement

#### *Using Crisis and Weatherization Funds to Address Equipment Needs*

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Considering LIHEAP's emphasis on assisting eligible low-income households meet their energy needs, it's not surprising that the program's authorizing statute allows funds to be used for energy-related home repair. Known as [Assurance One](#), Section 2605(b)(1)(C) states LIHEAP funding can be used to "provide low-cost residential weatherization and other cost-effective energy-related home repair..." Functioning home energy systems, including furnaces, form the basic structural component for households to meet their heating needs, which is why many LIHEAP grantees offer repair and/or replacement.

Because the statute refers to home repair in the context of weatherization, the majority of state grantees check off in their annual plans that they provide furnace repair/replacement as a low-income weatherization (LIWAP) service. However, some grantees also incorporate furnace repair/replacement into their crisis programs, realizing that losing a heating system puts low-income households at risk.

Generally, there are three ways that grantees run their furnace repair/replacement services: as part of their LIWAP component; as part of their crisis component; or as a combination of LIWAP and crisis. This issue brief looks at these three options primarily by examining grantees' annual plans for Fiscal Year 2014.

#### Furnace Repair/Replacement and LIWAP

The LIHEAP statute limits the amount of funding that can go towards LIWAP to 15 percent of a grantee's allotment, unless a waiver is obtained from the U.S. Department of Health and Human Services which allows spending up to 25 percent. The vast majority of state grantees indicated in their

Fiscal Year 2014 plans that they offered furnace repair/replacement service as part of their LIWAP component (see the table on page 2 for more infor-

#### Furnace Repair/Replacement Resources

- [FY 2014 HEARTWAP Program Guidance](#), Massachusetts Department of Housing and Community Development/Division of Community Resources, Oct. 1, 2013
- [Home Furnace Repair Program](#), Energy Outreach Colorado
- [Heating Equipment Vendor Agreement](#), New York Office of Temporary and Disability Assistance, September 2012
- [Packet for Prospective Furnace Repair Contractors](#), Community and Economic Development Association of Cook County, February 2014
- [ERR Furnace Replacement Inspection Tool](#), Minnesota Department of Commerce, Program Year 2014
- [Home Energy Plus Furnace Program Manual](#), Wisconsin Division of Energy Services, Fiscal Year 2014
- [LIHEAP Crisis Components: Requirements, Variations, Innovations](#), LIHEAP Clearinghouse, May 2014
- [Fiscal Year 2014 State Plans](#), LIHEAP Clearinghouse
- [Fiscal Year 2014 Tribal Plans](#), LIHEAP Clearinghouse

mation). Grantees have the option of providing these services, as well as other weatherization measures, using Department of Energy Weatherization Assistance Program (WAP) rules, LIHEAP rules, or a combination of the two.

The maximum amount listed in the table doesn't just apply to the replacement of home heating or cooling systems. Instead, it is the total allowed for all the LIWAP measures provided for the household. Some grantees cap the expenditures on furnace repair/replacement. Examples include California at \$5,100 (which exceeds the LIWAP maximum average of \$3,514); Michigan at \$1,500; Virginia at \$2,500; Oregon's Klamath Tribes at \$1,800; and South Dakota's Oglala Sioux Tribe at \$2,500. Virginia's FY 2014 plan said it prioritizes LIWAP services for households that don't have a "permanent, safe, and operable heat source."

Many grantees indicate that they provide the repair/replacement services as part of their LIWAPs, but they don't include specifics in their plans. However, some grantees prominently feature their LIWAP furnace services. For example, Massachusetts offers the "[Heating Emergency Assistance Retrofit Task Weatherization Assistance Program](#)," or HEARTWAP. During the heating season, the program operates as an emergency-based option to help homes repair or replace un-

safe heating systems. If funds remain after the heating season, HEARTWAP continues. The program is designed to primarily serve homeowners with incomes up to 60 percent of the state median income, and households are served based on need by the local agencies administering LIHEAP. For more information, please see the [HEARTWAP manual](#).

While Michigan mentions furnace repair/replacement under both its LIWAP and crisis components, it does detail how LIWAP funds can be spent. Included in the list of allowable services is furnace repair/replacement up to \$1,500. The annual plan says exceptions to the limit can be made if subgrantees deem it necessary. However, the plan says supporting documentation, such as how the furnace to be replaced presents a safety issue or how it is needed before other LIWAP services can happen, must be placed in the client's file if the \$1,500 cap is exceeded.

It's not unusual for grantees that run furnace repair/replacement programs to focus on homeowners or make stipulations involving landlords if an applicant is a renter. The Association of Village Council Presidents in Alaska spells out such a distinction in its plan. Its furnace replacement program is part of its LIWAP, and the annual

Furnace Repair/Replacement and LIHEAP Weatherization Component	
40 The number of states indicating repair/replacement service in LIWAP	4 - Grantees using only LIHEAP weatherization rules
	16 - Grantees using only Department of Energy weatherization rules
	20 - Grantees using a mix of LIHEAP and DOE weatherization rules
Maximum LIHEAP Benefit Weatherization Expenditure Per Household	
Maximum/Average Benefit*	States
\$1,000-\$2,000	Iowa, Louisiana, Missouri
\$2,000-\$4,000	California, Montana
\$4,000-\$6,000	Arizona, Georgia, Minnesota, Tennessee, Texas
\$6,000-\$7,000	Arkansas, Washington D.C., Florida, Maine, Massachusetts, Michigan Mississippi, New Jersey, Oklahoma, Pennsylvania, South Carolina, Virginia
More than \$7,000	Delaware, Nevada
*Note: Some annual plans listed a maximum benefit, while others listed a maximum average benefit per household	
Source: LIHEAP Clearinghouse review of preliminary Fiscal Year 2014 state plans	

plan says:

“...the landlord must know that it belongs to the [LIHEAP] recipient, not the landlord. If the recipient moves, they can take their furnace/heating system with them.”

The Association’s LIHEAP Director, Nicholas Hoover, said the language was included to make sure landlords understood the new furnace was awarded to the LIHEAP recipient, and, contrary to some landlords’ impressions, it does not belong to them as part of their rental property. Hoover said the language usually ends up allowing the recipient to negotiate system ownership with the landlord when the rental agreement terminates or the recipient moves. Currently, Hoover said the Association only replaces furnaces/heating systems, because it is more cost effective than sending units elsewhere to be repaired.

### Furnace Repair/Replacement and LIHEAP Crisis Components

Numerous grantees offering a furnace repair/replacement option incorporate them into their LIHEAP crisis components. They reason that the loss of a furnace or home energy system during extreme weather constitutes a health and safety crisis. Under the LIHEAP statute, designating a furnace program as part of a LIHEAP crisis component also introduces statutory deadlines that grantees must meet.

LIHEAP statute [Section 2603\(3\)](#) defines a crisis as “weather-related and supply shortage emergency and other household energy-related emergencies.” Furthermore, [Section 2604\(c\)](#) requires LIHEAP grantees to intervene in crisis situations in a timely fashion. Grantees must intervene within 48 hours after a household applies for assistance or 18 hours if it is a life-threatening situation.

These time limits do not mean that a grantee has to complete the furnace repair/replacement in 18 or 48 hours. Instead, they must have taken steps to resolve the crisis within that timeframe. For instance, if a household’s furnace breaks down, the mandated intervention could be providing items like electric heaters or warm clothes to the family, or ar-

ranging for temporary shelter, until repair/ replacement could be completed.

One state that runs its furnace repair/ replacement service through its crisis program is Colorado. The service is offered through the LIHEAP Crisis Intervention Program, and it features a partnership with Energy Outreach Colorado, a statewide fuel fund. The partnership between Colorado LIHEAP and Energy Outreach Colorado (EOC) just finished its second year. Colorado LIHEAP appropriates about \$2 million of its crisis funding to the Crisis Intervention Program (CIP). To be eligible for the CIP, a household must be in a “non-fuel” emergency, such as an inoperable furnace, major heating system failure, or other condition.

Colorado LIHEAP and EOC contract with a call center that operates a statewide help line. County LIHEAP offices and other partners refer applicants to that help line. A customer service representative completes the application over the phone with the client and, while on the phone with the client, coordinates with subcontractors to make a home visit to assess the situation. These entities are already under contract with EOC to do the work. The call center also directs callers who have not been determined to be eligible for LIHEAP to their local county office for expedited processing in order for the CIP application to be completed. The Colorado LIHEAP has developed a protocol to make sure the call center and local LIHEAP offices communicate effectively to assure that emergencies are handled quickly.

EOC says the contractor visits to assess the home seating system generally happen on the same day the client calls requesting assistance. The contractors evaluate and execute the needed work on the furnace when they are on site. They document and photograph the work performed and send it with an invoice to EOC, which pays the bill.

Both the Colorado LIHEAP and EOC call the furnace repair/replacement program a success. EOC is following up with CIP clients this summer about other potential LIWAP services it might be able to provide. The Colorado LIHEAP reports EOC manages the program very well, and the efficient application process allows clients to be served quickly and safely. Because many EOC subcontractors are also the state weatherization agencies, the

partnership provides a great opportunity to leverage resources. The furnace program has served approximately 2,700 LIHEAP-eligible households during the first two years of the Colorado LIHEAP-EOC partnership.

Michigan's LIHEAP also offers furnace repair/replacement through its crisis program. According to its FY 2014 plan, it is the only energy-related home repair offered by LIHEAP. The plan says the benefit amount isn't a static number, instead it is the "minimum necessary to maintain a decent, safe, warm dwelling unit." The program does set a lifetime maximum of energy-related home repair at \$4,000 with exceptions granted for "unique and unusual circumstances" as determined by the state office.

Wisconsin's LIHEAP offering is similar to Michigan's. Furnace repair/replacement is part of its crisis benefits, which are normally determined "based on the minimum required to meet the immediate threat to health and safety up to a maximum of \$1,200 per heating season." However, Wisconsin LIHEAP notes that furnace repair/replacement is not included in that maximum amount. Renters are only eligible for the offering if they reside in a building with two to four units, and the landlord is eligible for LIHEAP and also resides in the building.

The Penobscot Indian Nation in Maine has similar restrictions to Wisconsin. It offers furnace repair/replacement under its ECIP-B crisis component, which is only open to homebuyers and homeowners. ECIP-B offers a benefit that is the amount needed to repair or replace a malfunctioning or inoperable heating system up to a \$5,000 lifetime maximum.

In its last detailed plan, Idaho specified that furnace repair/replacement is covered under its crisis program, mentioning that such work does not count against the 15 percent of its funds allocated to LIWAP. Including such distinctions in the annual plan helps clarify what components and services LIHEAP funds cover.

### Combining LIWAP and Crisis Resources

Some grantees offer furnace repair/replacement as a joint venture of their crisis and LIWAP components. Combining the two programs makes sense

from an operational level. As discussed earlier, a furnace or heating system that becomes unreliable or unusable during winter provides a crisis situation for many low-income households. However, many grantees use local agencies to administer LIHEAP and frequently these agencies also implement the Department of Energy's WAP.

While Illinois lists its furnace repair/replacement under its crisis component, its plan also states that the work will be carried out by local administering agencies' weatherization programs, because the agencies are "uniquely situated to define and develop individualized responses to energy-related emergencies." Iowa's last detailed plan contains similar language.

Minnesota runs a component using its LIWAP funds called Energy Related Repair (ERR); however, its plan says, "Crisis timelines are followed for heating system repair or replacement." In other words, the funding for ERR is a percentage of the money allocated to LIWAP (for FY 2014 it was 7.5 percent), but the program is run as a crisis offering.

Similarly, Pennsylvania's Crisis Interface Project states, "a portion of the LIHEAP funds allocated for LIWAP will be used to alleviate specific LIHEAP crises," which includes furnace repair/replacement. The state's plan says that it may decide to refer crisis situations to the local weatherization office for resolution.

The Interface Project says a housing unit isn't eligible if it was purchased without a heating system; was purchased with an inoperable heating system; is unoccupied; not the primary residence of the applicant; and other conditions. The policy also spells out how the local weatherization agencies must follow LIHEAP's crisis framework of 18 or 48 hours to intervene in a crisis situation.

The Klamath Tribes list furnace repair/replacement under its crisis component. However, the Tribes' annual plan says, "Coordination must be made between LIHEAP and Weatherization programs." It also mentions that priority will be used in determining the funding source for the work. The funding sources are listed in the following order:

1. Other resources
2. LIHEAP Weatherization

3. LIHEAP Energy Assistance
4. Department of Energy Weatherization Assistance Program

### Vendor Agreements and Inspection

Vendor agreements are an important feature of any LIHEAP. When it comes to LIHEAP monetary benefits, the agreements include language ensuring that energy providers treat LIHEAP customers the same as other customers and that companies keep proper records so that grantees can verify that benefits were properly paid. When it comes to furnace repair/replacement, vendor agreements with the entities performing the work delineate the responsibilities of both the vendor and the LIHEAP office. The expectations for the services provided, how the providers will get paid, and what paperwork and documentation is required should be elements of such an agreement.

New York LIHEAP has a [separate vendor agreement](#) specifically for heating system repair/replacement. Vendors must sign the agreement to participate in and receive LIHEAP monies, and a signed agreement applies to all the vendor's customers in the state. The document requires vendors to provide name, mailing address, physical address, federal tax identification number, services offered, and other information. It also details how work must be performed, how that work needs to be documented, and how payment from the state LIHEAP office will be handled.

In Michigan, vendors conducting repair work must be licensed by the Michigan Department of Energy, Labor and Economic Growth, in addition to agreeing to LIHEAP's non-discrimination provision. In Colorado, Energy Outreach Colorado uses an official Request for Proposal process to put together its statewide network of licensed, certified, and insured HVAC contractors to perform furnace repair/replacement. Some states, including [Illinois](#)

and [Washington](#), use a similar process by accepting formal bids by companies to do the work.

In all these instances, the goal is to have a process by which to vet potential providers to make sure they have the ability to complete the work in a safe, timely and professional manner.

The other piece for furnace repair/replacement is inspection of the work after it's completed. For the Massachusetts HEARTWAP program, subgrantees are tasked with inspection and quality control. For [heating system repairs](#), the subgrantees must check at least 10 percent of the projects completed that cost under \$400 and 100 percent of the projects that cost more than \$400. For replacements, subgrantees must inspect 100 percent of the projects. For Minnesota LIHEAP, inspections must be completed for 50 percent of furnace repair/replacements using the ["ERR Furnace Replacement Inspection Tool."](#) In its bid packet for furnace repair/replacement, the Community and Economic Development Association of Cook County, a local administering agency in Illinois, says that it will inspect all work to make sure it complies with required specifications.

### Conclusion

The LIHEAP statute clearly allows grantees to offer furnace repair/replacement, and it is one of the services grantees can check off when filling out their annual plans. However, like so much of LIHEAP, the program's block grant structure allows grantees flexibility to design these offerings as they see fit as long as they follow the few statutory requirements. However, it is important that grantees specify which component(s) the repair/replacement falls under, and that they clarify how funds will be spent and tracked.

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